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MEMO ENDORSED

October 13, 2011

VIA U.S. MAIL

Honorable Lawrence M. McKenna
Daniel Patrick Moynihan
United States Courthouse
500 Pearl St.
New York, NY 10007-1312

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LAWRENCE M. McKENNA
USDJ SDNY

Re: *Sandata Technologies, Inc. v. American Epay, Inc. et al.*; Civ. No. 09-CV-6353
(LMM)(THK)
Client/Matter No. 40631-0000

Dear Judge McKenna:

We are counsel for American Epay, Inc. ("American Epay") in the above-captioned action. We write to inform the Court of the status of the co-pending reexamination proceedings regarding the patent-in-suit, U.S. Patent No. 5,963,912 (the "912 Patent").

We enclose a copy of a communication from the U.S. Patent Office in the reexamination of '912 Patent. The Examiner rejected each and every claim of the '912 patent as unpatentable over newly cited prior art, and rejected many of the claims on multiple grounds. Sandata has one month to respond to the rejection of the claims. By statute, the Patent Office is required to act "with special dispatch" in reexamination proceedings. *See* 35 U.S.C. § 305.

American Epay believes that it is in the interest of judicial economy to continue the stay of this action. As a result of the expiration of the patent, the patent owner is now precluded from amending the claims to overcome the rejections. *See* 37 C.F.R. §1.530(j). Therefore, the patent owner must argue that the Primary Examiner and two conferees (per U.S. Patent Office practice) are incorrect in their assessment of unpatentability. If the patent owner is unsuccessful in overcoming these rejections, this litigation will be terminated in its entirety.

The intent of the 11/15/10 stay is that reexamination is to be completed prior to the lifting of the stay, so that it remains in place. Sincerely,

James E. Hanft

cc: Thomas A. O'Rourke, Plaintiff's counsel
Attachment
NY1069895.1

James E. Hanft
USDJ 10/18/11